

Thus, the tobacco companies could deduct \$368 billion from their taxable income and reduce their tax payments by about \$123 billion, assuming we maintain a corporate tax rate of about 33 percent during the course of this agreement. In effect, this would reduce the tobacco companies' payment by \$123 billion and force the taxpayers to pick it up instead. That is a full third of the compensation payment to States.

I believe that is wrong. I believe it is unfair. The basis of this whole agreement is the idea that tobacco companies bear some responsibility for the illnesses caused by tobacco and nicotine and should help pick up the tab.

I agree with that. I also feel strongly that ordinary taxpayers are not responsible for the illnesses caused by tobacco, and they should not have to put up \$123 billion to pay for the treatment.

Is there a solution to the problem? Yes, there probably is. We should look into the issue, and I believe that the Senate Finance Committee should hold hearings on the tax implications of this settlement.

But already it seems clear that these payments are not necessary business expenses. They are, rather, belated compensation for the health effects of tobacco. I do not think they should be tax deductible. I will explore every means, including legislation if necessary, to make sure this agreement is fair to taxpayers.

#### REFORM OF THE ENDANGERED SPECIES ACT AND CONSERVATION EASEMENTS

Mr. BAUCUS. Mr. President, on another matter, I wish to inform the Senate that we in the Environment and Public Works Committee are working very diligently to come up with a good solid reform of the Endangered Species Act.

In this respect, I say that Senator KEMPTHORNE, the chairman of the relevant subcommittee, is working very hard with Senator REID, the ranking member of the relevant subcommittee, along with myself and Senator CHAFEE to reform the current Endangered Species Act, including many provisions, such as involving the States much more deeply than they are now, making sure there is peer review by scientific communities, and a host of other changes.

But one change I would like to mention at the moment is an idea in the bill introduced by the Senator from Idaho which very simply states that conservation easements that protect habitat for endangered species should be tax deductible.

I raised this issue in the Finance Committee markup a week ago explaining to members of the committee that this was a new idea, a good idea which would give landowners incentives so that they themselves can protect their own land in a way to avoid

problems under the act. But I did not push for the amendment in committee because we were not quite ready for the provisions of the amendment and did not have an appropriate way to pay for it which is called for under the Reconciliation Act.

Senator KEMPTHORNE has introduced a statement today basically calling this matter to the attention of the full Senate, and most particularly to the attention of the conferees.

I say to Senator KEMPTHORNE and others that are interested that I will work diligently, in cooperation with the Senator from Idaho, to see if we can find a way to get that provision passed.

Essentially, Mr. President, we will very soon have a bipartisan Endangered Species Act reauthorization reported out of the Environment and Public Works Committee. I think Senators will be happy in the main with the provisions of this agreement. I compliment, again, Senator KEMPTHORNE, Senator REID, and others who are working, on a very bipartisan basis, to reach this result.

Again, I thank my colleagues for their interest in the tax incentive portion of it because I think that is an important, integral part of this solution.

#### COMPLIMENTING SENATOR ROTH

Mr. BAUCUS. Mr. President, I very much thank again publicly my chairman of the committee, Senator ROTH, who has heard many, many compliments on his leadership of the committee. I have complimented him many times already. Other Senators have complimented him many, many times. But one cannot compliment him too often because he did a terrific job in coming up with a bipartisan bill, as we know, that passed the Senate not too long ago by a vote of 80 to 18—quite an accomplishment.

Mr. ROTH. If the distinguished Senator from Montana would just yield for a comment. You do not have to stop complimenting. As far as I am concerned, I could sit here all day and listen to it.

Mr. BAUCUS. It may be deserved.

Mr. ROTH. You are very kind. I must say, I think we have all had a great experience of working together. I feel very strongly that this spirit of bipartisanship should continue. I know the Senator from Montana is of the same school as I am.

Mr. BAUCUS. Absolutely. Absolutely.

Mr. ROTH. So have a good recess.

Mr. BAUCUS. You too, Mr. Chairman.

#### APPOINTMENT BY THE SECRETARY OF THE SENATE

The PRESIDING OFFICER. The Chair announces, on behalf of the Secretary of the Senate, pursuant to Public Law 101-509, his appointment of James F. Blumstein, of Tennessee, to

the Advisory Committee on the Records of Congress.

#### ENCRYPTION POLICY REFORM

Mr. LOTT. Mr. President, I rise today to thank the junior Senator from Montana for his leadership on the important issue. Senator BURNS has led a valiant effort to address an area that I believe is in great need of reform. He has championed the cause of allowing citizens to protect their information through readily available strong information security technology. In the 104th Congress, he introduced legislation that set the stage for our reform efforts in this Congress. Again, last week, Senator BURNS offered a compromise version of his original bill before the Commerce Committee, but unfortunately this measure did not pass. I hope that now we can go through a process to bring all parties together, industry and Government, to try to relieve some of the problems created by current law. We did not accomplish everything that I wanted in Committee, but I am confident that there is still time to improve this legislation. I want to congratulate Senator BURNS and others on the committee like Senator ASHCROFT and Senator DORGAN who have taken the time to understand the technology and to attempt to effectively guide us through these difficult issues.

Mr. President, the demand for strong information security will not abate. Individuals, industry, and governments need the best information security technology to protect their information. The Administration's policy and the McCain-Kerrey bill allow export of 56-bit encryption, with key recovery requirements. How secure is 56-bit encryption? That question was answered the day before the Senate Commerce Committee acted. Responding to a challenge, a secret message encoded with 56-bit encryption was decoded in a brute force supercomputing effort known as the "Deschall Effort." The message that was decoded said "Strong cryptography makes the world a safer place."

Now that 56-bit encryption has been cracked by individuals working together over the Internet, information protected by that technology is vulnerable. The need to allow stronger security to protect information is more acute than ever.

Mr. BURNS. Mr. President, I appreciate the comments of the majority leader. I too was opposed to the legislation approved by the committee last week, but know that we still have the opportunity to pass a meaningful bill that will allow American industry to compete with the rest of the world in the global information marketplace. I believe that we can pass a bill that will not compromise our national security or law enforcement interests. As I sat through the markup last week, it occurred to me that we had allowed the issue of encryption to be framed as the